



AUDIT OF SUPERFUND ACTIVITIES IN THE ENVIRONMENT AND NATURAL RESOURCES DIVISION FOR FISCAL YEARS 2011 AND 2012

U.S. Department of Justice
Office of the Inspector General
Audit Division

Audit Report 14-03
December 2013

AUDIT OF SUPERFUND ACTIVITIES IN THE ENVIRONMENT AND NATURAL RESOURCES DIVISION FOR FISCAL YEARS 2011 AND 2012

EXECUTIVE SUMMARY

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 (known as CERCLA or Superfund), which was expanded by the Superfund Amendments and Reauthorization Act of 1986, established the Superfund program to clean up the nation's worst hazardous waste sites.¹ CERCLA seeks to ensure that individuals or organizations responsible for the improper disposal of hazardous waste bear the costs for their actions. It also established the Hazardous Substance Superfund Trust Fund (Trust Fund) to finance clean up sites when a liable party cannot be found or the third party is incapable of paying clean up costs. The Trust Fund also pays the Environmental Protection Agency's (EPA) for enforcement, management activities, and research and development.

Executive Order 12580, issued January 23, 1987, gives the Attorney General responsibility for all Superfund litigation. Within the Department of Justice (DOJ), the Environment and Natural Resources Division (ENRD) enforces CERCLA's civil and criminal pollution-control laws. In fiscal year (FY) 1987, EPA entered into interagency agreements with the ENRD and began reimbursing the ENRD for its litigation costs. In recent years, EPA authorized reimbursements to the ENRD of \$25.6 million for FY 2011 and \$24.6 million for FY 2012 in accordance with EPA Interagency Agreements DW-15-92343901-0 (FY 2011) and DW-15-92343901-1 (FY 2012).

¹ 42 U.S.C. Chapter 103 (2012)

The EPA and the ENRD Statement of Work required the ENRD to maintain a system that documented its litigation costs. To this end, the ENRD used a management information system developed and maintained by a private contractor. The system was designed to process financial data from the ENRD Expenditure and Allotment (E&A) Reports into:

(1) Superfund direct costs by specific case broken down between direct labor costs and all other direct costs; (2) non-Superfund direct costs; and (3) allocable indirect costs.²

As required by CERCLA, the DOJ Office of the Inspector General conducted this audit to determine if the cost allocation process used by the ENRD and its contractor provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases from FYs 2011 and 2012. We compared costs reported in the contractor's accounting schedules and summaries for these 2 years to costs recorded in DOJ accounting records to review the cost distribution system used by the ENRD to allocate incurred costs to Superfund and non-Superfund cases.

We believe that the ENRD provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases from FYs 2011 and 2012.

² The E&A Report is a summary of the total costs incurred by the ENRD during the fiscal year. The report includes all costs (both liquidated and unliquidated) by subobject class and a final indirect cost rate calculation for the fiscal year. Other direct costs charged to individual cases include special masters, expert witnesses, interest penalties, travel, filing fees, transcription (court and deposition), litigation support, research services, graphics, and non-capital equipment. Indirect costs are the total amounts paid in the E&A Reports less direct charges and are allocated based on the direct Superfund salary costs on each case.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
OIG Audit Approach.....	6
FINDING.....	7
Superfund Costs for FYs 2011 and 2012.....	7
Reconciliation of Contractor Accounting Schedules and Summaries to E&A Reports	8
Superfund Case Reconciliation	9
Superfund Cost Distribution.....	10
Conclusion.....	15
STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS.....	16
APPENDIX I - OBJECTIVE, SCOPE, AND METHODOLOGY	17
APPENDIX II - FY 2012 CASES IN SAMPLE REVIEW	19
APPENDIX III - FY 2011 ACCOUNTING SCHEDULES AND SUMMARIES.....	20
APPENDIX IV - FY 2012 ACCOUNTING SCHEDULES AND SUMMARIES.....	29

INTRODUCTION

In 1980, the Congress passed the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or Superfund) to clean up hazardous waste sites throughout the United States.¹ The law addressed concerns about the need to clean up abandoned hazardous waste sites and the future release of hazardous substances into the environment. When CERCLA was enacted, the Environmental Protection Agency (EPA) was assigned responsibility for preparing a National Priorities List to identify sites that presented the greatest risk to human health and the environment. Waste sites listed on the National Priorities List were generally considered the most contaminated in the nation, and EPA funds could be used to clean up those sites. The clean up of these sites was to be financed by the potentially responsible parties – generally the current or previous owners or operators of the site. In cases where the potentially responsible party could not be found or were incapable of paying clean up costs, CERCLA established the Hazardous Substance Superfund Trust Fund (Trust Fund) to finance clean up efforts. The Trust Fund also pays for EPA's enforcement, management, and research and development activities.

Because certain provisions of CERCLA were set to expire in FY 1985, Congress passed the Superfund Amendments and Reauthorization Act (SARA) in 1986.² SARA stressed the importance of using permanent remedies and innovative treatment technologies in the clean up of hazardous waste sites, provided EPA with new enforcement authorities and settlement tools, and increased the authorized amount of potentially available appropriations for the Trust Fund.

Executive Order 12580, issued January 23, 1987, gives the Attorney General responsibility for all Superfund litigation. Within the Department of Justice (DOJ), the Environment and Natural Resources Division (ENRD) administers cases against those who violate CERCLA's civil and criminal pollution-control laws. Superfund litigation and support are assigned to the following ENRD sections: Appellate, Environmental Crimes, Environmental Defense, Environmental Enforcement, Land Acquisition, Natural Resources, and Law and Policy.

¹ 42 U.S.C. Chapter 103 (2012)

² SARA is incorporated into 42 U.S.C. Chapter 103 (2012)

Beginning in FY 1987, the EPA entered into interagency agreements with the DOJ to reimburse the ENRD for its litigation costs related to its CERCLA activities. As shown in Exhibit 1, cumulative budgeted reimbursements for Superfund litigation represented 29 percent of the ENRD's total budget during the 26-year period from FYs 1987 through 2012.

Exhibit 1: Comparison of the ENRD's Appropriations and Budgeted Superfund Reimbursements (FYs 1987 through 2012)

FY	ENRD Appropriations	Budgeted Superfund Reimbursements	Total ENRD Budget
1987	\$23,195,000	\$11,550,000	\$34,745,000
1988	26,194,000	18,473,000	44,667,000
1989	26,456,000	22,100,000	48,556,000
1990	34,713,000	28,754,000	63,467,000
1991	43,683,000	32,799,000	76,482,000
1992	49,177,000	35,607,000	84,784,000
1993	51,445,000	34,534,000	85,979,000
1994	53,364,000	33,809,000	87,173,000
1995	58,170,000	33,879,860	92,049,860
1996	58,032,000	32,245,000	90,277,000
1997	58,049,000	30,000,000	88,049,000
1998	61,158,000	29,963,500	91,121,500
1999	62,652,000	30,500,000	93,152,000
2000	65,209,000	30,000,000	95,209,000
2001	68,703,000	28,500,000	97,203,000
2002	71,300,000	28,150,000	99,450,000
2003	70,814,000	28,150,000	98,964,000
2004	76,556,000	28,150,000	104,706,000
2005	90,856,000	27,150,000	118,006,000
2006	93,974,000	26,319,100	120,293,100
2007	95,093,000	26,056,000	121,149,000
2008	99,365,000	25,594,000	124,959,000
2009	103,093,000	25,600,000	128,693,000
2010	109,785,000	25,600,000	135,385,000
2011	108,010,000	25,550,000	133,560,000
2012	108,009,000	24,550,000	132,559,000
Total	\$1,767,055,000	\$723,583,460	\$2,490,638,460

Source: ENRD Budget History Report for FYs 1987 through 2012

The EPA and the ENRD Statement of Work required the ENRD to maintain a system that documented its Superfund litigation costs. Accordingly, the ENRD implemented a management information system designed by FTI Consulting, Incorporated (contractor). The system was designed to process financial data from the ENRD's Expenditure and Allotment (E&A) Reports into: (1) Superfund direct costs by specific case,

allocated between direct labor costs and all other direct costs; (2) non-Superfund direct costs; and (3) allocable indirect costs.³

The EPA authorized reimbursements to the ENRD of \$25.6 million for FY 2011 and \$24.6 million for FY 2012 in accordance with EPA Interagency Agreements DW-15-92343901-0 (FY 2011) and DW-15-92343901-1 (FY 2012).

Excise taxes imposed on the petroleum and chemical industries as well as an environmental income tax on corporations maintained the Trust Fund through December 31, 1995, when the taxing authority for Superfund expired. Since that time, Congress has not enacted legislation to reauthorize the tax. Currently, the funding for Superfund is comprised of appropriations from EPA's general fund, interest, fines, penalties, and recoveries generated through litigation. Consequently, the significance of the ENRD's Superfund litigation can be seen in the commitments and recoveries the EPA has obtained, with the EPA receiving over \$9 billion in commitments to clean up hazardous waste sites and recovering over \$6 billion from potentially responsible parties during FYs 1987 - 2012, as shown in Exhibit 2.

³ The E&A Report is a summary of the total costs incurred by the ENRD during the fiscal year. The report includes all costs (both liquidated and unliquidated) by subobject class and a final indirect cost rate calculation for the fiscal year. Other direct costs charged to individual cases include special masters, expert witnesses, interest penalties, travel, filing fees, transcription (court and deposition), litigation support, research services, graphics, and non-capital equipment. Indirect costs are the total amounts paid in the E&A Reports less direct charges and are allocated based on the direct Superfund salary costs on each case.

**Exhibit 2: Estimated Commitments and Recoveries
(FYs 1987 through 2012)⁴**

FY	Commitment	Recovery
1987	\$ 0	\$ 12,000,000
1988	10,000,000	32,000,000
1989	106,000,000	73,000,000
1990	10,000,000	56,000,000
1991	186,000,000	182,000,000
1992	225,000,000	211,000,000
1993	187,000,000	326,000,000
1994	148,000,000	490,000,000
1995	117,000,000	204,000,000
1996	101,000,000	338,000,000
1997	280,000,000	334,000,000
1998	403,000,000	308,000,000
1999	386,000,000	332,000,000
2000	494,000,000	153,000,000
2001	1,418,000,000	566,000,000
2002	565,000,000	277,000,000
2003	474,000,000	185,000,000
2004	289,000,000	202,000,000
2005	647,000,000	270,000,000
2006	230,000,000	146,000,000
2007	271,000,000	211,000,000
2008	542,000,000	429,000,000
2009	272,000,000	179,000,000
2010	753,000,000	726,000,000
2011	902,000,000	376,000,000
2012	118,000,000	132,000,000
Total	\$9,134,000,000	\$6,750,000,000

Source: ENRD Commitment and Recovery Report for FYs 1987 through 2012

⁴ Commitments are estimated funds from potentially responsible parties for the clean up of hazardous waste sites. Recoveries are actual funds received by EPA that include Superfund cost recovery, oversight costs, and interest.

OIG Audit Approach

The objective of the audit was to determine if the cost allocation process used by the ENRD and its contractor provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during FYs 2011 and 2012. To accomplish our objective, we assessed whether: (1) the ENRD identified Superfund cases based on appropriate criteria, (2) costs distributed to cases were limited to costs reported in the E&A Reports, and (3) adequate internal controls existed over the recording of direct labor time to cases and the recording of other direct charges to accounting records and Superfund cases.

Appendix I contains a more detailed description of our audit objectives, scope, and methodology.

FINDING

SUPERFUND COSTS FOR FYs 2011 AND 2012

We found that the ENRD provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during FYs 2011 and 2012.

We designed the audit to compare costs reported in the contractor's accounting schedules and summaries for FYs 2011 and 2012 (see Appendices III and IV) to the information recorded in DOJ's accounting records, and to review the cost distribution system used by the ENRD to allocate incurred costs to Superfund and non-Superfund cases. To accomplish this, we performed the following tests:

- We compared Superfund total costs recorded as paid in the E&A Reports to the amounts reported as Total Amounts Paid in the contractor's year-end accounting schedules and summaries, and we traced the costs to Superfund cases.
- We reviewed the ENRD's methodology for categorizing Superfund cases by comparing a select number of Superfund cases to the ENRD's Superfund case designation criteria.⁵
- We reviewed the contractor's methodology for distributing direct labor and indirect costs to Superfund cases, and we compared other direct costs to source documents to validate their allocability to Superfund cases.

We performed these steps to ensure that costs distributed to Superfund and non-Superfund cases were based on total costs for FYs 2011 and 2012; that the distribution methodology used and accepted in prior years remained viable; and that selected costs were supported by evidence that documented their allocability to Superfund and non-Superfund cases. We used the test results to determine if the ENRD provided an equitable distribution of total labor, other direct costs, and indirect costs to Superfund cases during FYs 2011 and 2012.

⁵ FY 2007 ENRD memorandum entitled *Environment and Natural Resources Division Determination of Superfund Cases* provides the methodology for designating Superfund cases.

Reconciliation of Contractor Accounting Schedules and Summaries to E&A Reports

To ensure that the distribution of costs to Superfund and non-Superfund cases was limited to total costs incurred for each fiscal year, we reconciled the amounts reported in the E&A Reports to those in the contractor's Schedule 6, *Reconciliation of Total ENRD Expenses*. According to the E&A Reports, total ENRD expenses were over \$129 million in FY 2011 and over \$134 million in FY 2012, as shown in Exhibit 3.

Exhibit 3: ENRD Expenses by Fiscal Year

Description	2011	2012
Salaries	\$76,348,363	\$74,576,322
Benefits	20,780,267	20,488,820
Travel	2,983,689	2,713,690
Freight	303,484	311,203
Rent	13,951,869	13,445,192
Printing	55,204	58,452
Services	14,829,898	22,368,431
Supplies	581,318	473,796
Equipment	20,358	62,564
Totals	\$129,854,450	\$134,498,470

Source: ENRD E&A Reports for FYs 2011 and 2012

We then reconciled the E&A Report amounts to the distributions in the contractor's Schedule 5, *Superfund Costs by Object Classification*, and Schedule 2, *Superfund Obligation and Payment Activity by Fiscal Year of Obligation*. We found that Schedules 1 through 6 reconciled to the E&A Reports.

After reconciling the contractor's accounting schedules and summaries to the E&A Reports, we reviewed the distribution of costs to Superfund cases. Our starting point for reviewing the distribution system was to identify and reconcile the ENRD cases as Superfund or non-Superfund. This enabled us to extract only Superfund data from the ENRD data to compare to the accounting schedules and summaries. The Superfund costs in Schedule 2 of the accounting schedules and summaries for FYs 2011 and 2012 are shown in Exhibit 4.

Exhibit 4: Superfund Distributed Costs by Fiscal Year of Obligation⁶

Cost Categories	2011	2012
Labor	\$7,549,318	\$7,497,923
Other Direct Costs	1,211,907	1,625,726
Indirect Costs	11,849,954	11,717,352
Unliquidated Obligations	4,738,000	3,690,997
Totals	\$25,349,179	\$24,531,998

Source: Schedule 2 of the contractor's accounting schedules and summaries

Superfund Case Reconciliation

The ENRD assigned unique identifying numbers to all Superfund and non-Superfund cases and maintained an annual database of Superfund cases. To ensure that the contractor used the appropriate Superfund database, we reconciled the contractor's Superfund database to the ENRD's original Superfund database. The reconciliation identified 736 Superfund cases in FY 2011 and 666 cases in FY 2012 in which ENRD incurred direct labor hour costs. We also reviewed the Superfund case designation criteria and case files to identify the method used by the ENRD to categorize Superfund cases, and to determine if Superfund cases were designated in accordance with established criteria.

We judgmentally selected 25 cases from the FY 2012 Superfund database to test whether the ENRD staff adhered to case designation procedures outlined in the memorandum, *ENRD Determination of Superfund Cases (last updated FY 2007)*.⁷ We compared the case number in the Superfund database to the ENRD case file documents including case intake worksheets, case opening forms, case transmittals, and e-mails. These documents referenced laws, regulations, or other information used to categorize the cases as either Superfund or non-Superfund for tracking purposes. Of the 25 cases reviewed, we found no exceptions.

⁶ The amounts listed in this table reflect actual reimbursements. The interagency agreements budgeted \$25.6 million for FY 2011 and \$24.6 million for FY 2012.

⁷ See Appendix II for the 25 cases we sampled.

Superfund Cost Distribution

Since we found that the ENRD's case identification method adequately identified Superfund cases, we proceeded to review the system used by the contractor to distribute direct labor, indirect costs, and other direct costs charged to Superfund cases.

Direct Labor

During the 2-year period under review, the contractor continued using the labor distribution system from prior years, which we had reviewed and accepted in prior audits. The ENRD provided the contractor with electronic files that included employee time reporting information and bi-weekly salary information downloaded from the National Finance Center.⁸ The contractor used the following formula to distribute labor costs monthly:

Salary Starting Point:	Employee Bi-weekly Salary
Divided by:	Employee Reported Bi-weekly Work Hours
Equals:	Bi-weekly Hourly Rate
Multiplied by:	Employee Reported Monthly Superfund and Non-Superfund Case Hours
Results In:	Distributed Individual Monthly Labor Case Cost

For purposes of our review, we:

- compared total Superfund and non-Superfund labor costs to costs reported in the E&A Reports for FYs 2011 and 2012;
- reviewed the ENRD electronic labor files and selected salary files provided to the contractor and the resultant electronic files prepared by the contractor to summarize costs by employee and case; and
- extracted Superfund case costs from the contractor files by using validated Superfund case numbers.

⁸ The National Finance Center processes bi-weekly payroll information for many federal government agencies, including DOJ.

We performed selected database matches to compare the ENRD electronic employee time and case data against the contractor's electronic files used to prepare the accounting schedules and summaries, and to identify Superfund case data. We determined total Superfund hours were 137,304 for FY 2011 and 134,579 for FY 2012. To determine the number of Superfund cases with direct labor costs for each fiscal year under review, we compared the ENRD Superfund billed time electronic data, which included 736 cases in FY 2011 and 666 cases in FY 2012 to the electronic files prepared by the contractor and found no significant differences in the total number of Superfund cases with direct labor costs for each fiscal year.

Next, using the contractor's electronic files, we determined that the direct labor costs for Superfund cases were \$7,549,318 for FY 2011 and \$7,497,923 for FY 2012. We traced these amounts to the contractor's accounting schedules and summaries, and selected the first two bi-weekly periods in January 2011 and 2012 to review the calculation of the effective employee hourly rates. We found the contractor calculated the effective hourly rates in compliance with the methodology outlined previously in this report.

Overall, we were able to verify the accumulation of reported hours, the development and application of hourly rates, and the extraction of labor costs for Superfund cases. Therefore, we believe that this process provided an equitable distribution of direct labor costs to Superfund cases during FYs 2011 through 2012.

Indirect Costs

In addition to direct costs incurred for specific cases, the ENRD incurred indirect costs that were allocated to all cases. These costs included salaries, benefits, travel, freight, rent, communication, utilities, supplies, and equipment. The contractor distributed indirect costs to individual cases using an indirect cost rate calculated on a fiscal year basis.

The indirect cost rate was comprised of an ENRD indirect rate and a Superfund-specific indirect rate. To calculate the ENRD indirect rate, the contractor subtracted the amount of direct costs from the total costs incurred according to the ENRD's E&A report and divided this amount by the total direct labor costs for the period. To calculate a Superfund specific indirect rate, the contractor identified indirect costs that support only Superfund activities and divided these costs by the Superfund direct labor costs for the period. The rates for FYs 2011, 2012 are shown in the Exhibit 5.

Exhibit 5: Indirect Cost Rates by Fiscal Year

Category	2011	2012
ENRD Indirect Rate	155.6%	155.0%
Superfund-Specific Indirect Rate	27.4%	26.2%
Combined Indirect Cost Rate	183.0%	181.2%

Source: Schedule 4 of the contractor's accounting schedules and summaries, percentages rounded to nearest tenth of a percent

Using the E&A Reports and the contractor's electronic files, we reconciled the total indirect amounts to Schedule 4, *Indirect Rate Calculation*, to ensure that the contractor used only paid costs to accumulate the expense pool. We determined that the total amount of indirect costs for FY 2011 was \$71,620,097. We also determined that the total amount of the indirect costs for FY 2012 was \$70,565,696. Therefore, we found that this process generally provided for an equitable distribution of indirect costs to Superfund cases during FYs 2011 through 2012.

Other Direct Costs

The other direct costs incurred by the ENRD and distributed to Superfund during FYs 2011 and 2012 are presented in Exhibit 6.

Exhibit 6: Superfund Other Direct Costs by Fiscal Year

Subobject Code and Description	2011	2012
1153 – Compensation, Masters	\$ 66,991	\$ 149,906
1157 – Fees - Expert Witness	1,627,127	1,794,106
2100 - Travel and Transportation	262,144	291,214
2411 – Printing and Reproduction, Court Instruments	4,552	1,663
2499 – Printing and Reproduction, All Other	789	4,629
2501 – Filing and Recording Fees	157	1
2508 – Reporting and Transcripts – Deposition	64,265	235,615
2510 – Reporting and Transcripts - Court	0	34,834
2529 – Litigation Support	795,698	1,085,713
2534 – Research Services	3,826	26,280
2556 – Graphics	825	0
2563 – Interest Penalties Incurred on Late Payments by the Government	0	35
2598 – Miscellaneous Litigation Expenses	11,123	1,632
2599 – Other Services	395	0
Totals	\$2,837,892	\$3,625,628

Source: The contractor's electronic files for FYs 2011 and 2012

As part of our audit, we selected the following four FY 2012 other direct cost subobject codes to test.

1157 – Fees - Expert Witness
2100 – Travel and Transportation
2508 – Reporting and Transcripts – Deposition
2529 – Litigation Support

For FY 2012, these four subobject codes comprised 88 percent of the transaction universe (1,377 transactions) and 94 percent of the FY 2012 other direct cost expenditures (\$3.6 million). Considering the possible variation between these four types of transactional activity measures, we employed a stratified random sampling design to provide effective coverage and to obtain precise estimates of the test results' statistics. The set of transactions in the universe was divided into two subsets, a high dollar value transactions and non-high dollar value transactions. We reviewed 100 percent of transactions in one stratum that consisted of high dollar transactions within these four subobject codes. In total, we reviewed 273 transactions totaling approximately \$1.6 million as detailed in Exhibit 7.

Exhibit 7: Other Direct Costs Tested

Subobject Code	Descriptions	Number of Transactions	Dollar Amount
1157	Fees - Expert Witness	48	\$729,529
2100	Travel and Transportation	83	105,115
2508	Reporting and Transcripts - Deposition	92	120,236
2529	Litigation Support	50	683,879
Totals		273	\$1,638,759

Source: OIG other direct costs sampled

We designed our review of other direct costs transactions to determine if the selected transactions included adequate support based on the following four attributes:

- subobject code classification – verified that the correct subobject code was used to classify the cost;
- Superfund/non-Superfund case classification – verified that the case number appearing on the documents matched the case number in the Superfund database;

- dollar amount – verified that the dollar amount listed in the other direct costs database matched the amounts on the supporting documentation; and
- proper approval – verified that the proper approval was obtained on the vouchers paying the other direct costs.

Our tests resulted in no exceptions in the testing of Fees – Expert Witness (subobject code 1157) and Litigation Support (subobject code 2529). However, our tests of Reporting and Transcripts – Deposition (subobject code 2508) and Travel and Transportation (subobject code 2100) revealed exceptions.

Reporting and Transcripts – Deposition (subobject code 2508)

We tested 92 Reporting and Transcripts – Deposition transactions and found that all 92 transactions reviewed carried the correct dollar amount, were classified to the correct subobject code and were properly approved. However, two invoices tested were not correctly classified. We summarized our analysis in Exhibit 8.

Exhibit 8: Reporting and Transcripts – Deposition Issues

Superfund Matter ID	Voucher Amount	Description of Issue	ENRD Resolution of the Issue
90-11-2-09952	\$966	The supporting documentation specified a non-Superfund case number.	ENRD transferred \$966 to the correct non-Superfund case.
90-7-1-07401	\$987	The supporting documentation specified a non-Superfund case number.	ENRD transferred \$987 to the correct non-Superfund case.

Source: OIG analysis and ENRD general ledger documentation

Travel and Transportation (subobject code 2100)

While we found all 83 Travel and Transportation transactions we reviewed had been appropriately classified and carried the correct dollar amount; we noted that two transactions were not properly approved and one transaction had the incorrect Superfund case classification.

We summarized our analysis in Exhibit 9.

Exhibit 9: Travel and Transportation Issues

Superfund Matter ID	Voucher Amount	Description of Issue	ENRD Resolution of the Issue
90-11-2-09952	\$2,097	No approval signature on the travel voucher.	ENRD provided alternative documentation of approval.
90-11-3-09813	\$154	No approval signature on the travel voucher.	ENRD provided alternative documentation of approval.
90-11-3-10097	\$997	The supporting documentation specified a non-Superfund case number.	ENRD transferred \$997 to the correct non-Superfund case.

Source: OIG analysis and ENRD general ledger documentation

Conclusion

We found that the cost allocation process used by the ENRD provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during FYs 2011 and 2012. We provided our draft audit report to ENRD officials who chose not to provide a response to the draft report.

STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

As required by the *Government Auditing Standards* we tested, as appropriate given our audit scope and objectives, selected transactions, records, procedures, and practices, to obtain reasonable assurance that ENRD's management complied with the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (known as CERCLA or Superfund) and the Superfund Amendments and Reauthorization Act of 1986 for which noncompliance, in our judgment, could have a material effect on the results of our audit. ENRD's management is responsible for ensuring compliance with federal laws and regulations applicable to the ENRD. In planning our audit, we identified the following laws and regulations that concerned the operations of the auditee and that were significant within the context of the audit objectives:

- Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), 42 U.S.C. Chapter 103, Section 9611(k)
- Superfund Amendments and Reauthorization Act of 1986 (SARA)

Our audit included examining, on a test basis, ENRD's compliance with the aforementioned laws and regulations that could have a material effect on ENRD's operations, through interviewing ENRD's personnel and contractor, analyzing data, assessing internal control procedures, and examining procedural practices.

Nothing came to our attention that caused us to believe that the ENRD was not in compliance with the aforementioned laws and regulations.

APPENDIX I

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of this audit was to determine if the cost allocation process used by the ENRD and its contractor provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during FYs 2011 and 2012.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. To accomplish the overall objective, we assessed whether: (1) the ENRD identified Superfund cases based on appropriate criteria, (2) costs distributed to cases were limited to costs reported in the E&A Reports, and (3) adequate internal controls existed over the recording of direct labor time to cases and the recording of other direct charges to accounting records and Superfund cases.

The audit covered, but was not limited to, financial activities and the procedures used by the ENRD to document, compile, and allocate direct and indirect costs charged to Superfund cases from October 1, 2010, through September 30, 2012. We compared total costs recorded as paid on the ENRD's E&A Report to the amounts reported as Total Amounts Paid on the contractor's year end accounting schedules and summaries, and traced the costs to the Superfund cases for FYs 2011 and 2012. We also reviewed the contractor's methodology for distributing direct labor costs and indirect costs to Superfund cases for FYs 2011 and 2012. In addition, we reviewed the ENRD's methodology for categorizing Superfund cases by comparing a select number of Superfund cases to the ENRD's Superfund case designation criteria for FY 2012.

We performed detailed transaction testing of other direct costs for FY 2012. Considering the possible variation between subobject codes 1157, 2100, 2508, and 2529, we employed a stratified random sampling design to provide effective coverage and to obtain precise estimates of the test results' statistics. We reviewed 100 percent of transactions (128) in one stratum

that consisted of high-dollar transactions within these four subobject codes. The initial test results showed one invoice for travel was not properly approved, however after further discussion and review of alternate documentation we determined the invoice was a valid Superfund charge and we therefore have no exception in the high dollar strata.

Additionally a stratified sample design was employed for the non-high dollar transactions with 95 percent confidence interval, 3 percent precision rate, and weighted average of 4.2 percent estimated exception rate. The non-high dollar sample size was 145 transactions. The test results showed there were no exceptions found in the randomly selected sample units for any of the four attribute tests in the strata associated with sub-object codes 1157 and 2529. In our testing of subobject 2508 we noted 2 transactions that were misclassified as superfund costs and the ENRD transferred the transactions to the correct case. In our review of subobject 2100, we noted a single transaction was not properly approved but in follow up with ENRD we could validate it was a superfund cost. Additionally, in subobject code 2100 we noted a single transaction that was misclassified as a superfund cost and the ENRD reclassified the expense. Since the noted errors were under the expected error rate, and the ENRD had corrected the classifications, we did not project the errors to the universe.

For our assessment of internal controls over the compilation of direct labor charges, we relied on the results in the *U.S. Department of Justice, Office of the Inspector General, Environmental and Natural Resources Division Network Computer Security and Case Management System Internal Control Audit*, Audit Report 1-19, August 2001; *U.S. Department of Justice, Office of the Inspector General, Offices, Boards and Divisions Annual Financial Statements Fiscal Year 2011, Audit Report 12-13, February 2012*; and, *U.S. Department of Justice, Office of the Inspector General, Offices, Boards and Divisions Annual Financial Statements Fiscal Year 2012, Audit Report 13-12, January 2013*. Additionally we verified the accumulation of reported hours, the development and application of hourly rates, and the extraction of labor costs for Superfund cases.

APPENDIX II

FY 2012 CASES IN SAMPLE REVIEW

Case Number	Classification
90-11-3-13148	Appellate
90-1-0-13780	Appellate
198-01380	Criminal
198-01382/1	Criminal
198-22-01232	Criminal
198-74-01207/1	Criminal
198-50-01044	Criminal
90-11-6-16156	Defense
90-11-6-18174/1	Defense
90-11-6-18543/1	Defense
90-11-6-19051/1	Defense
90-11-6-19361	Defense
90-11-2-09461	Enforcement
90-11-2-912/2	Enforcement
90-11-3-09445/2	Enforcement
90-11-3-10445	Enforcement
90-11-3-923/1	Enforcement
90-11-3-08304/2	General Litigation
90-1-23-10202	General Litigation
33-22-2429-10883	Land Acquisition
33-22-2431-11115	Land Acquisition
33-41-128-08208	Land Acquisition
33-46-434	Land Acquisition
90-12-01316/1	Law and Policy
90-12-01779	Law and Policy

APPENDIX III

FY 2011 ACCOUNTING SCHEDULES AND SUMMARIES



FTI

FTI Consulting
6903 Rockledge Drive
Suite 1200
Bethesda, MD 20817
main 301.214.4150
fax 301.564.2994
fticonsulting.com

February 20, 2012

Mr. Andrew Collier
U.S. Department of Justice
Environment and Natural Resources Division
Suite 2038
601 D Street N.W.
Washington, DC. 20004

Dear Mr. Collier:

Enclosed please find the following final fiscal year 2011 year end accounting schedules and summaries relating to costs incurred by the United States Department of Justice (DOJ), Environment and Natural Resources Division (ENRD) on behalf of the Environmental Protection Agency (EPA) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and the Superfund Amendments and Reauthorization Act of 1986 (SARA or, hereafter, Superfund):

- EPA Billing Summary - Schedules 1-7
September 30, 2011
- DOJ - Superfund Case Cost Summary (electronic copy)
As of September 30, 2011
- DOJ - Superfund Cases - Time By Attorney/Paralegal
Year Ended September 30, 2011 (electronic copy)
- DOJ - Superfund Direct Costs (electronic copy)
Year Ended September 30, 2011

The schedules represent the final fiscal year 2011 amounts, and establish an indirect cost rate applicable to the entire fiscal year. As a result, the summaries included supersede all prior preliminary information processed by us relating to fiscal year 2011

Mr. Andrew Collier
U.S. Department of Justice
February 20, 2012
Page 2

The schedules, summaries and calculations have been prepared by us based on information supplied to us by the ENRD. Professional time charges, salary data, and other case specific cost expenditures have been input or translated by us to produce the aforementioned reports. Total costs incurred or obligated by the ENRD as reflected in the Expenditure and Allotment Reports (E&A) for the period have been used to calculate the total amount due from EPA relating to the Superfund cases. Computer-generated time reporting information supplied to us by DOJ (based on ENRD's accumulation of attorney and paralegal hours) along with the resulting hourly rate calculations made by us based on ENRD-supplied employee salary files, have been reviewed by us to assess the reasonableness of the calculated hourly rates. All obligated labor amounts reflected on the E&A's as of September 30, 2011, which are not identified as case specific, have been classified as indirect labor.

Our requested scope of services did not constitute an audit of the aforementioned schedules and summaries and, accordingly, we do not express an opinion on them. However, the methodology utilized by us to assign and allocate costs to specific cases is based on generally accepted accounting principles, including references to cost allocation guidelines outlined in the Federal Acquisition Regulations and Cost Accounting Standards. In addition, we understand that the DOJ audit staff will continue to perform periodic audits of the source documentation and summarized time reporting information accumulated by ENRD and supplied to us. Our accounting reports, schedules and summaries will, therefore, be made available to DOJ as part of this audit process. Beyond the specific representations made above, we make no other form of assurance on the aforementioned schedules and summaries.

Very truly yours,
FTI CONSULTING, INC.



William M. Kime
Senior Managing Director

Enclosures

**EPA BILLING SUMMARY
SUMMARY OF AMOUNTS DUE
BY INTERAGENCY AGREEMENT
September 30, 2011**

	<u>Fiscal Years</u>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
EPA Billing Summary - Amount Paid	\$ 20,611,179 (a)	\$ 20,903,934 (b)	\$ 24,918,000 (b)	\$ 25,553,369 (b)	\$ 26,406,178 (b)
<u>Add:</u>					
Payments in FY 2011 for 2010 (a)	-	2,339,970	-	-	-
Payments in FY 2011 for 2009 (a)	-	-	1,037,340	-	-
Payments in FY 2011 for 2008 (a)	-	-	-	213,402	-
Payments in FY 2011 for 2007 (a)	-	-	-	-	1,385
Subtotal	<u>20,611,179</u>	<u>23,243,904</u>	<u>25,955,340</u>	<u>25,766,771</u>	<u>26,407,563</u>
Unliquidated Obligations (c)	<u>4,738,000</u>	<u>2,265,107</u>	<u>990,477</u>	<u>45,618</u>	<u>103,240</u>
Total	<u>\$ 25,349,179</u>	<u>\$ 25,509,011</u>	<u>\$ 26,945,817</u>	<u>\$ 25,812,389</u>	<u>\$ 26,510,803</u>

(a) See EPA Billing Summary, Schedule 2, September 30, 2011

(b) See EPA Billing Summary, Schedule 1, September 30, 2010

(c) See EPA Billing Summary, Schedule 3, September 30, 2011

**EPA BILLING SUMMARY
SUPERFUND OBLIGATION AND PAYMENT ACTIVITY DURING 2011
BY FISCAL YEAR OF OBLIGATION**

	<u>Fiscal Years</u>					<u>Total</u>
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	
<u>Amounts Paid:</u>						
Labor	\$ 7,549,318	\$ -	\$ -	\$ -	\$ -	\$ 7,549,318
Other Direct Costs	1,211,907	618,155	1,002,983	4,694	153	2,837,892
Indirect Costs	11,849,954	1,721,815	34,357	208,708	1,232	13,816,066
Superfund Program Expenses	-	-	-	-	-	-
Subtotal	20,611,179	2,339,970	1,037,340	213,402	1,385	24,203,276
Unliquidated Obligations (a)	4,738,000	2,265,107	990,477	45,618	103,240	8,142,442
Totals	<u>\$25,349,179</u>	<u>\$4,605,077</u>	<u>\$ 2,027,817</u>	<u>\$259,020</u>	<u>\$104,625</u>	<u>32,345,718</u>

(a) See Schedule 3

EPA BILLING SUMMARY
FISCAL YEARS 2011, 2010, 2009, 2008, AND 2007 UNLIQUIDATED OBLIGATIONS
September 30, 2011

	<u>Fiscal Years</u>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
ENRD Unliquidated Obligations at September 30, 2011	\$ 41,351,253	\$ 8,015,819	\$ 1,215,620	\$ 169,326	\$ 117,148
Less: Unliquidated Obligations:					
Section 1595 (a)	22,832,323	4,199,525	219,141	123,332	11,930
Section 1596 (b)	2,100,675	331,633	-	-	-
Section 1598 (c)	2,447,009	2,024,785	989,158	45,528	102,750
Subtotal	27,380,007	6,555,943	1,208,299	168,860	114,680
Net Unliquidated Obligations - ENRD	13,971,246	1,459,876	7,321	466	2,468
Superfund percentage (d)	16.3979%	16.4618%	18.0148%	19.3499%	19.8380%
Superfund portion of Unliquidated Obligations	2,290,991	240,322	1,319	90	490
Add - Section 1598 Unliquidated Obligations	2,447,009	2,024,785	989,158	45,528	102,750
Total Superfund Unliquidated Obligations (e)	<u>\$ 4,738,000</u>	<u>\$ 2,265,107</u>	<u>\$ 990,477</u>	<u>\$ 45,618</u>	<u>\$ 103,240</u>

(a) Section 1595 relates to reimbursable amounts from agencies other than EPA.

(b) Section 1596 relates to non-Superfund charges.

(c) Section 1598 relates to charges that are Superfund specific.

(d) Superfund percentage of unliquidated obligations was calculated by dividing year to date Superfund direct labor by the total direct labor for each of the fiscal years.

(e) Relates only to unliquidated obligations for the fiscal year indicated.

Schedule 4

**EPA BILLING SUMMARY
INDIRECT RATE CALCULATION**

<u>Description</u>	<u>Total Amounts Paid (a)</u>
Indirect labor (b)	\$28,902,270
Fringes	20,711,369
Indirect travel	296,613
Freight	303,485
Office space and utilities	13,951,869
Printing(forms, etc.)	45,701
Training and other services	6,808,945
Supplies	581,318
Non-capitalized equipment and miscellaneous	18,527
Subtotal	71,620,097
Total Direct Labor	46,038,270
ENRD Indirect Costs Rate - F/Y 2010 Obligations	155.5664%
Plus: Superfund Indirect Costs for Prior Year Obligations (c) and Superfund Specific Costs (d)	
	2011 \$ 105,749
	2010 1,721,815
	2009 34,357
	2008 208,708
	2007 1,232
	<u>2,071,861</u>
Superfund Direct Labor	7,549,318
Superfund Indirect Rate	27.4443%
Total Indirect Rate	183.0108%

- (a) Indirect cost rate calculations are presented on a fiscal year-to-date basis. All case specific and other unallowable costs (Section 1595 and 1596) have been removed.
- (b) Indirect labor and fringes include certain month-end obligation accruals.
- (c) Indirect cost payments for the prior year obligations included in the totals presented are as follows; \$1,663,373; -\$19,522; \$208,708; and \$1,232; for F/Y 2010 through F/Y 2007 respectively.
- (d) The balance of the charges in the totals presented were paid during fiscal year 2011 to maintain Superfund case information or perform other Superfund Specific activities. These charges were initiated as a result of Superfund and are of benefit only to the Superfund Program. They have been allocated only to Superfund cases through this separate indirect approach. The charges are \$105,749; \$58,442; and \$53,879; \$0 and \$0 for F/Y 2011 through F/Y 2007 respectively.

**EPA BILLING SUMMARY
SUPERFUND COSTS BY OBJECT CLASSIFICATION**

Object Class.	Description	Direct Expenses	Indirect Expenses	Unliquidated Obligations (b)	Total
11	Salaries	\$8,442,371	\$4,845,120	\$2,160,996	\$15,448,487
12	Benefits	-	3,396,234	196,587	3,592,821
21	Travel	242,188	48,638	26,408	317,234
22	Freight	-	49,765	8,071	57,836
23	Rent	-	2,287,816	426,264	2,714,080
24	Printing	5,295	7,493	5,247	18,035
25	Services	71,371	1,116,526	1,869,362	3,057,259
26	Supplies	-	95,324	8,946	104,270
31	Equipment	-	3,038	36,119	39,157
	Total	<u>\$8,761,225</u>	<u>\$11,849,954</u>	<u>\$4,738,000</u>	<u>\$25,349,179</u>

(a) Includes costs for direct labor, special masters and expert witnesses.

(b) Represents the Superfund portion of unliquidated damages.

**EPA BILLING SUMMARY
RECONCILIATION OF TOTAL ENRD EXPENSES**

September 30, 2011

Object Class.	Description	---Superfund---		---Non-Superfund---		Indirect Section 1595 & 1596 Expenses	Total Amounts Paid
		Direct Expenses	Indirect Expenses	Direct Expenses	Indirect Expenses		
11	Salaries	\$8,442,372	\$4,845,120	\$38,611,175	\$24,162,899	\$286,797	\$76,348,363
12	Benefits	-	3,396,234	-	17,315,136	68,897	20,780,267
21	Travel	242,188	48,638	2,310,538	247,975	134,350	2,983,689
22	Freight	-	49,765	-	253,719	-	303,484
23	Rent	-	2,287,816	-	11,664,053	-	13,951,869
24	Printing	5,295	7,493	4,208	38,208	-	55,204
25	Services	71,371	1,116,526	4,138,961	5,692,419	3,810,621	14,829,898
26	Supplies	-	95,324	-	485,994	-	581,318
31 & 42	Equipment	-	3,038	-	15,489	1,831	20,358
Total		<u>\$8,761,226</u>	<u>\$11,849,954</u>	<u>\$45,064,882</u>	<u>\$59,875,892</u>	<u>\$4,302,496</u>	<u>\$129,854,450</u>

Schedule 7

**DEPARTMENT OF JUSTICE
ENVIRONMENT AND NATURAL RESOURCES DIVISION**

Section	Hours	Direct Labor	Other Direct Costs	Indirect	Total	Cases
Appellate	446	\$ 23,083	956	\$ 42,244	66,283	3
Law and Policy	36	2,650	-	4,850	7,500	2
Criminal	1,683	82,477	10,550	150,942	243,969	4
Defense	2,043	119,898	-	219,426	339,324	23
Enforcement	132,907	7,311,944	2,826,386	13,381,646	23,519,976	697
Natural Resources	181	8,679	-	15,884	24,563	3
Land Acq.	8	587	-	1,074	1,661	4
Total	137,304	\$ 7,549,318	\$ 2,837,892	\$ 13,816,066	\$ 24,203,276	736

APPENDIX IV

FY 2012 ACCOUNTING SCHEDULES AND SUMMARIES



March 15, 2013

Mr. Andrew Collier
U.S. Department of Justice
Environment and Natural Resources Division
Suite 2038
601 D Street N.W.
Washington, DC. 20004

Dear Mr. Collier:

Enclosed please find the following final fiscal year 2012 year end accounting schedules and summaries relating to costs incurred by the United States Department of Justice (DOJ), Environment and Natural Resources Division (ENRD) on behalf of the Environmental Protection Agency (EPA) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and the Superfund Amendments and Reauthorization Act of 1986 (SARA or, hereafter, Superfund):

- EPA Billing Summary - Schedules 1-7
September 30, 2012
- DOJ - Superfund Case Cost Summary (electronic copy)
As of September 30, 2012
- DOJ - Superfund Cases - Time By Attorney/Paralegal
Year Ended September 30, 2012 (electronic copy)
- DOJ - Superfund Direct Costs (electronic copy)
Year Ended September 30, 2012

The schedules represent the final fiscal year 2012 amounts, and establish an indirect cost rate applicable to the entire fiscal year. As a result, the summaries included supersede all prior preliminary information processed by us relating to fiscal year 2012.

1375 Piccard Drive, Suite 375 | Rockville, MD 20850
301.591.8000 telephone | 301.591.8072 fax | fticonsulting.com

Mr. Andrew Collier
U.S. Department of Justice
March 15, 2013
Page 2

The schedules, summaries and calculations have been prepared by us based on information supplied to us by the ENRD. Professional time charges, salary data, and other case specific cost expenditures have been input or translated by us to produce the aforementioned reports. Total costs incurred or obligated by the ENRD as reflected in the Expenditure and Allotment Reports (E&A) for the period have been used to calculate the total amount due from EPA relating to the Superfund cases. Computer-generated time reporting information supplied to us by DOJ (based on ENRD's accumulation of attorney and paralegal hours) along with the resulting hourly rate calculations made by us based on ENRD-supplied employee salary files, have been reviewed by us to assess the reasonableness of the calculated hourly rates. All obligated labor amounts reflected on the E&A's as of September 30, 2012, which are not identified as case specific, have been classified as indirect labor.

Our requested scope of services did not constitute an audit of the aforementioned schedules and summaries and, accordingly, we do not express an opinion on them. However, the methodology utilized by us to assign and allocate costs to specific cases is based on generally accepted accounting principles, including references to cost allocation guidelines outlined in the Federal Acquisition Regulations and Cost Accounting Standards. In addition, we understand that the DOJ audit staff will continue to perform periodic audits of the source documentation and summarized time reporting information accumulated by ENRD and supplied to us. Our accounting reports, schedules and summaries will, therefore, be made available to DOJ as part of this audit process. Beyond the specific representations made above, we make no other form of assurance on the aforementioned schedules and summaries.

Very truly yours,
FTI CONSULTING, INC.



William M. Kime
Senior Managing Director

Enclosures

**EPA BILLING SUMMARY
SUMMARY OF AMOUNTS DUE
BY INTERAGENCY AGREEMENT
September 30, 2012**

	<u>Fiscal Years</u>				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
EPA Billing Summary - Amount Paid	\$ 20,841,001 (a)	\$ 20,611,179 (b)	\$ 23,243,904 (b)	\$ 25,955,340 (b)	\$ 25,766,771 (b)
<u>Add:</u>					
Payments in FY 2012 for 2011 (a)	-	2,611,428	-	-	-
Payments in FY 2012 for 2010 (a)	-	-	524,780	-	-
Payments in FY 2012 for 2009 (a)	-	-	-	730,513	-
Payments in FY 2012 for 2008 (a)	-	-	-	-	4,973
Subtotal	<u>20,841,001</u>	<u>23,222,607</u>	<u>23,768,684</u>	<u>26,685,853</u>	<u>25,771,744</u>
Unliquidated Obligations (c)	<u>3,690,997</u>	<u>1,700,390</u>	<u>1,457,688</u>	<u>190,823</u>	<u>-</u>
Total	<u>\$ 24,531,998</u>	<u>\$ 24,922,997</u>	<u>\$ 25,226,372</u>	<u>\$ 26,876,676</u>	<u>\$ 25,771,744</u>

(a) See EPA Billing Summary, Schedule 2, September 30, 2012

(b) See EPA Billing Summary, Schedule 1, September 30, 2011

(c) See EPA Billing Summary, Schedule 3, September 30, 2012

**EPA BILLING SUMMARY
SUPERFUND OBLIGATION AND PAYMENT ACTIVITY DURING 2012
BY FISCAL YEAR OF OBLIGATION**

		<u>Fiscal Years</u>					
		<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Total</u>
<u>Amounts Paid:</u>							
Labor	\$	7,497,923	\$ -	\$ -	\$ -	\$ -	\$ 7,497,923
Other Direct Costs		1,625,726	786,301	478,865	729,747	4,989	3,625,628
Indirect Costs		<u>11,717,352</u>	<u>1,825,127</u>	<u>45,915</u>	<u>766</u>	<u>(16)</u>	<u>13,589,144</u>
Subtotal		20,841,001	2,611,428	524,780	730,513	4,973	24,712,695
Unliquidated Obligations (a)		<u>3,690,997</u>	<u>1,700,390</u>	<u>1,457,688</u>	<u>190,823</u>	<u>-</u>	<u>7,039,898</u>
Totals		<u>\$24,531,998</u>	<u>\$4,311,818</u>	<u>\$ 1,982,468</u>	<u>\$921,336</u>	<u>\$4,973</u>	<u>31,752,593</u>

(a) See Schedule 3

EPA BILLING SUMMARY
FISCAL YEARS 2012, 2011, 2010, 2009, AND 2008 UNLIQUIDATED OBLIGATIONS
September 30, 2012

	<u>Fiscal Years</u>				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
ENRD Unliquidated Obligations at September 30, 2012	\$ 49,655,893	\$ 8,849,397	\$ 1,838,462	\$ 280,188	\$ -
Less: Unliquidated Obligations:					
Section 1595 (a)	30,827,352	5,468,409	360,079	88,439	-
Section 1596 (b)	4,503,035	1,326,038	8	-	-
Section 1598 (c)	1,594,355	1,630,846	1,453,611	190,620	-
Subtotal	36,924,742	8,425,293	1,813,698	279,059	-
Net Unliquidated Obligations - ENRD	12,731,151	424,104	24,764	1,129	-
Superfund percentage (d)	16.4686%	16.3979%	16.4618%	18.0148%	19.3499%
Superfund portion of Unliquidated Obligations	2,096,642	69,544	4,077	203	-
Add - Section 1598 Unliquidated Obligations	1,594,355	1,630,846	1,453,611	190,620	-
Total Superfund Unliquidated Obligations (e)	\$ 3,690,997	\$ 1,700,390	\$ 1,457,688	\$ 190,823	\$ -

(a) Section 1595 relates to reimbursable amounts from agencies other than EPA.

(b) Section 1596 relates to non-Superfund charges.

(c) Section 1598 relates to charges that are Superfund specific.

(d) Superfund percentage of unliquidated obligations was calculated by dividing year to date Superfund direct labor by the total direct labor for each of the fiscal years.

(e) Relates only to unliquidated obligations for the fiscal year indicated.

**EPA BILLING SUMMARY
INDIRECT RATE CALCULATION**

<u>Description</u>	<u>Total Amounts Paid (a)</u>
Indirect labor (b)	\$27,696,673
Fringes	20,449,106
Indirect travel	263,066
Freight	311,203
Office space and utilities	13,445,192
Printing(forms, etc.)	48,969
Training and other services	7,815,126
Supplies	473,795
Non-capitalized equipment and miscellaneous	62,566
Subtotal	70,565,696
Total Direct Labor	45,528,513
ENRD Indirect Costs Rate - F/Y 2012 Obligations	154.9923%
Plus: Superfund Indirect Costs for Prior Year Obligations (c) and Superfund Specific Costs (d)	
2012	\$ 96,149
2011	1,825,127
2010	45,915
2009	766
2008	(16)
Total	1,967,941
Superfund Direct Labor	7,497,923
Superfund Indirect Rate	26.2465%
Total Indirect Rate	181.2388%

- (a) Indirect cost rate calculations are presented on a fiscal year-to-date basis. All case specific and other unallowable costs (Section 1595 and 1596) have been removed.
- (b) Indirect labor and fringes include certain month-end obligation accruals.
- (c) Indirect cost payments for the prior year obligations included in the totals presented are as follows; \$1,771,887; \$33,599; \$52; and -\$16; for F/Y 2011 through F/Y 2008 respectively.
- (d) The balance of the charges in the totals presented were paid during fiscal year 2011 to maintain Superfund case information or perform other Superfund Specific activities. These charges were initiated as a result of Superfund and are of benefit only to the Superfund Program. They have been allocated only to Superfund cases through this separate indirect approach. The charges are \$96,149; \$53,940; and \$12,316; \$714 and \$0 for F/Y 2012 through F/Y 2008 respectively.

**EPA BILLING SUMMARY
SUPERFUND COSTS BY OBJECT CLASSIFICATION**

Object Class.	Description	Direct Expenses	Indirect Expenses	Unliquidated Obligations (b)	Total
11	Salaries (a)	\$ 8,566,397	\$ 4,657,412	\$ 2,448,966	\$ 15,672,775
12	Benefits	-	3,367,688	201,687	3,569,375
21	Travel	275,709	43,323	35,953	354,985
22	Freight	-	51,251	11,801	63,052
23	Rent	-	2,214,239	451,485	2,665,724
24	Printing	5,362	8,065	3,791	17,218
25	Services	276,181	1,287,043	400,076	1,963,300
26	Supplies	-	78,028	2,203	80,231
31	Equipment	-	10,303	135,035	145,338
	Total	\$ 9,123,649	\$ 11,717,352	\$ 3,690,997	\$ 24,531,998

(a) Includes costs for direct labor, special masters and expert witnesses.

(b) Represents the Superfund portion of unliquidated obligations.

**EPA BILLING SUMMARY
RECONCILIATION OF TOTAL ENRD EXPENSES**

September 30, 2012

Object Class.	Description	---Superfund---		---Non-Superfund---		Indirect Section 1595 & 1596 Expenses	Total Amounts Paid
		Direct Expenses	Indirect Expenses	Direct Expenses	Indirect Expenses		
11	Salaries	\$8,566,397	\$4,657,412	\$38,074,172	\$23,135,410	\$142,931	\$74,576,322
12	Benefits	-	3,367,688	-	17,081,418	39,714	20,488,820
21	Travel	275,709	43,323	2,142,152	219,743	32,763	2,713,690
22	Freight	-	51,251	-	259,952	-	311,203
23	Rent	-	2,214,239	-	11,230,953	-	13,445,192
24	Printing	5,362	8,065	4,121	40,904	-	58,452
25	Services	276,181	1,287,043	8,540,520	6,528,085	5,736,602	22,368,431
26	Supplies	-	78,028	-	395,768	-	473,796
31 & 42	Equipment	-	10,303	-	52,261	-	62,564
Total		\$9,123,649	\$11,717,352	\$48,760,965	\$58,944,494	\$5,952,010	\$134,498,470

**DEPARTMENT OF JUSTICE
ENVIRONMENT AND NATURAL RESOURCES DIVISION**

<u>Section</u>	<u>Hours</u>	<u>Direct Labor</u>	<u>Other Direct Costs</u>	<u>Indirect</u>	<u>Total</u>	<u>Cases</u>
Appellate	92	\$ 5,151	-	\$ 9,336	14,487	2
Law and Policy	11	792	-	1,435	2,227	2
Criminal	1,700	94,604	6,253	171,459	272,316	7
Defense	2,918	152,660	85,280	276,679	514,619	26
Enforcement	129,824	7,242,542	3,534,095	13,126,295	23,902,932	623
Natural Resources	29	1,835	-	3,326	5,161	2
Land Acq.	5	339	-	614	953	4
Total	134,579	\$ 7,497,923	\$ 3,625,628	\$ 13,589,144	\$ 24,712,695	666